

Senate Study Bill 1175

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
APPROPRIATIONS BILL BY
CHAIRPERSON LAMBERTI)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to creating a loan and credit guarantee program
2 and fund.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 3035XC 80
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1 1 Section 1. NEW SECTION. 15E.221 SHORT TITLE.
1 2 This division shall be known and may be cited as the "Iowa
1 3 Economic Development Loan and Credit Guarantee Fund Act".
1 4 Sec. 2. NEW SECTION. 15E.222 LEGISLATIVE FINDING ==
1 5 PURPOSES.
1 6 1. The general assembly finds all of the following:
1 7 a. That small and medium-sized businesses, in general, and
1 8 certain targeted industry businesses, in particular, are
1 9 adversely affected by the current credit crisis.
1 10 b. That small businesses have historically had a difficult
1 11 time obtaining credit, especially on terms that allow them to
1 12 grow and to create jobs.
1 13 c. That the limited availability of credit for export
1 14 transactions limits the ability of small and medium-sized
1 15 businesses in this state to compete in international markets.
1 16 d. That, to enhance competitiveness, this state must focus
1 17 on and foster growth in certain specific targeted industry
1 18 businesses.
1 19 e. That the challenge for the public economic sector is to
1 20 design programs, in conjunction with lending institutions in
1 21 the private sector, which fill the gaps in credit availability
1 22 and export finance.
1 23 2. The general assembly declares the purposes of this
1 24 division to be all of the following:
1 25 a. To create incentives and assistance to increase the
1 26 flow of private capital to targeted industry clusters.
1 27 b. To promote industrial modernization and technology
1 28 adoption.
1 29 c. To encourage the retention and creation of family wage
1 30 jobs.
1 31 d. To encourage the export of goods and services sold by
1 32 Iowa businesses in national and international markets.
1 33 Sec. 3. NEW SECTION. 15E.223 DEFINITIONS.
1 34 As used in this division, unless the context otherwise
1 35 requires:
2 1 1. "Financial institution" means an institution listed in
2 2 section 422.61, subsection 1, or such other financial
2 3 institution as defined by the department for purposes of this
2 4 division.
2 5 2. "Program" means the loan and credit guarantee program
2 6 established in this division.
2 7 3. "Qualified business" means an existing or proposed
2 8 business entity with an annual average number of employees not
2 9 exceeding two hundred employees that sells goods or services
2 10 in markets for which national or international competition
2 11 exists. "Qualified business" includes professional services
2 12 businesses that provide services to targeted industry
2 13 businesses and other entities within and outside of this
2 14 state.
2 15 4. "Targeted industry business" means an existing or
2 16 proposed business entity, including an emerging small business
2 17 or qualified business which is operated for profit and which
2 18 has a primary business purpose of doing business in at least
2 19 one of the targeted industries designated by the department
2 20 which include life sciences, software and information
2 21 technology, advanced manufacturing, value-added agriculture,
2 22 and any other industry designated as a targeted industry by

2 23 the department.

2 24 Sec. 4. NEW SECTION. 15E.224 LOAN AND CREDIT GUARANTEE
2 25 PROGRAM.

2 26 1. The department shall establish and administer a loan
2 27 and credit guarantee program. The department, pursuant to
2 28 agreements with financial institutions, shall provide loan and
2 29 credit guarantees, insurance, coinsurance in conjunction with
2 30 other providers of loan guarantee programs, or other forms of
2 31 credit guarantees for qualified businesses and targeted
2 32 industry businesses for eligible project costs. However, the
2 33 department shall not in any manner directly or indirectly
2 34 pledge the credit of the state. Eligible project costs
2 35 include expenditures for productive equipment and machinery,
3 1 working capital for operations and export transactions,
3 2 research and development, marketing, and such other costs as
3 3 the department may so designate.

3 4 2. In administering the program, the department shall
3 5 consult and cooperate with financial institutions in this
3 6 state. Administrative procedures and application procedures,
3 7 as practicable, shall be responsive to the needs of qualified
3 8 businesses, targeted industry businesses, and financial
3 9 institutions, and shall be consistent with prudent investment
3 10 and lending practices and criteria.

3 11 3. The department shall adopt a loan or credit guarantee
3 12 application procedure for a financial institution on behalf of
3 13 a qualified business or targeted industry business.

3 14 4. Upon approval of a loan or credit guarantee, the
3 15 department shall enter into a loan or credit guarantee
3 16 agreement with the cooperating financial institution. The
3 17 agreement shall specify all of the following:

3 18 a. The fee to be charged to the financial institution.

3 19 b. The evidence of debt assurance of, and security for,
3 20 the loan or credit guarantee.

3 21 c. A loan or credit guarantee that does not exceed fifteen
3 22 years.

3 23 d. Any other terms and conditions considered necessary or
3 24 desirable by the department.

3 25 5. The department may adopt loan and credit guarantee
3 26 application procedures that allow a qualified business or
3 27 targeted industry business to apply directly to the department
3 28 for a preliminary guarantee commitment. A preliminary
3 29 guarantee commitment may be issued by the department subject
3 30 to the qualified business or targeted industry business
3 31 securing a commitment for financing from a financial
3 32 institution. The application procedures shall specify the
3 33 process by which a financial institution may obtain a final
3 34 loan and credit guarantee.

3 35 Sec. 5. NEW SECTION. 15E.225 TERMS == FEES.

4 1 1. When entering into a loan or credit guarantee
4 2 agreement, the department shall establish fees and other terms
4 3 that discourage participation in the program by qualified
4 4 businesses and targeted industry businesses with access to
4 5 other forms of private capital.

4 6 2. The department, with due regard for the possibility of
4 7 losses and administrative costs, shall set fees and other
4 8 terms at levels sufficient to assure that the program is self=
4 9 financing.

4 10 3. For a preliminary guarantee commitment, the department
4 11 may charge a qualified business or targeted industry business
4 12 a preliminary guarantee commitment fee. The application fee
4 13 shall be in addition to any other fees charged by the
4 14 department under this section and shall not exceed one
4 15 thousand dollars for an application.

4 16 Sec. 6. NEW SECTION. 15E.226 RECOMMENDATIONS.

4 17 The department shall consider the advice and
4 18 recommendations of the Iowa economic development board and the
4 19 superintendent of banking in administering the program.

4 20 Sec. 7. NEW SECTION. 15E.227 LOAN AND CREDIT GUARANTEE
4 21 FUND.

4 22 1. A loan and credit guarantee fund is created and
4 23 established as a separate and distinct fund in the state
4 24 treasury. Moneys in the fund shall only be used for purposes
4 25 provided in this section. The moneys in the fund are
4 26 appropriated to the department to be used for all of the
4 27 following purposes:

4 28 a. Payment of claims pursuant to loan and credit guarantee
4 29 agreements entered into under this division.

4 30 b. Payment of administrative costs of the department for
4 31 actual and necessary administrative expenses incurred by the
4 32 department in administering the program.

4 33 c. Purchase or buyout of superior or prior liens,

4 34 mortgages, or security interests.
4 35 2. Moneys in the loan and credit guarantee fund shall
5 1 consist of all of the following:
5 2 a. Moneys appropriated by the general assembly for that
5 3 purpose and any other moneys available to and obtained or
5 4 accepted by the department for placement in the fund.
5 5 b. Proceeds from collateral assigned to the department,
5 6 fees for guarantees, gifts, and moneys from any grant made to
5 7 the fund by any federal agency.
5 8 3. Moneys in the fund are not subject to section 8.33.
5 9 Notwithstanding section 12C.7, interest or earnings on the
5 10 moneys in the fund shall be credited to the fund.
5 11 4. The department may pledge a total of fifty million
5 12 dollars of moneys in the fund to assure the repayment of loan
5 13 and credit guarantees or other extensions of credit made to or
5 14 on behalf of qualified businesses or targeted industry
5 15 businesses for eligible project costs. The department shall
5 16 not pledge the credit or taxing power of this state or any
5 17 political subdivision of this state or make debts payable out
5 18 of any moneys except for those in the loan and credit
5 19 guarantee fund.

5 20 EXPLANATION

5 21 This bill creates a loan and credit guarantee program and
5 22 fund.
5 23 The bill requires the department of economic development to
5 24 establish and administer a loan and credit guarantee program.
5 25 The bill provides that the department, pursuant to agreements
5 26 with financial institutions, shall provide loan and credit
5 27 guarantees, insurance, coinsurance in conjunction with other
5 28 providers of loan guarantee programs, or other forms of credit
5 29 guarantees for qualified businesses and targeted industry
5 30 businesses for eligible project costs. The bill provides that
5 31 eligible project costs include expenditures for productive
5 32 equipment and machinery, working capital for operations and
5 33 export transactions, research and development, marketing, and
5 34 such other costs as the department may so designate. The bill
5 35 provides that the department shall adopt a loan and credit
6 1 guarantee application procedure for a financial institution on
6 2 behalf of a qualified business or targeted industry business.
6 3 The bill provides that, upon approval of a loan and credit
6 4 guarantee, the department shall enter into a loan and credit
6 5 guarantee agreement with the cooperating financial
6 6 institution. The bill provides that the department may adopt
6 7 loan and credit guarantee application procedures that allow a
6 8 qualified business or targeted industry business to apply
6 9 directly to the department for a preliminary guarantee
6 10 commitment. The bill provides that a preliminary guarantee
6 11 commitment may be issued by the department subject to the
6 12 qualified business or targeted industry business securing a
6 13 commitment for financing from a financial institution.
6 14 The bill provides that, when entering into a loan and
6 15 credit guarantee agreement, the department shall establish
6 16 fees and other terms that discourage participation in the
6 17 program by qualified businesses and targeted industry
6 18 businesses with access to other forms of private capital. The
6 19 bill requires the department, with due regard for the
6 20 possibility of losses and administrative costs, to set fees
6 21 and other terms at levels sufficient to assure that the
6 22 program is self-financing. The bill allows the department to
6 23 charge a qualified business or targeted industry business a
6 24 fee for a preliminary guarantee commitment.
6 25 The bill requires the department to consider the advice and
6 26 recommendations of the Iowa economic development board and the
6 27 superintendent of banking in administering the program.
6 28 The bill creates a loan and credit guarantee fund as a
6 29 separate and distinct fund in the state treasury. The bill
6 30 provides that moneys in the fund are appropriated to the
6 31 department to be used for payment of claims pursuant to loan
6 32 and credit guarantee agreements, payment of administrative
6 33 costs of the department for actual and necessary
6 34 administrative expenses incurred by the department in
6 35 administering the program, and purchase or buyout of superior
7 1 or prior liens, mortgages, or security interests. The bill
7 2 allows the department to pledge a total of \$50 million of
7 3 moneys in the fund to assure the repayment of loan and credit
7 4 guarantees or other extensions of credit made to or on behalf
7 5 of qualified businesses or targeted industry businesses for
7 6 eligible project costs. The bill prohibits the department
7 7 from pledging the credit or taxing power of this state or any
7 8 political subdivision of this state or make debts payable out
7 9 of any moneys except for those in the loan and credit

7 10 guarantee fund.
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